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### Section 3 Web-Based Solutions

## An E-Powered Supply Chain

*B2B e-commerce is driving advances in **supply and demand chain management**. How soon will Web-enabled **supply chain** execution be pervasive in the food and C arena?*

By Ron Margulis

For the last few years, vendors of Internet-based solutions have been promising a new world of user-friendly technology that makes the consumer's life easier while optimizing the **supply chain**.

And, to a certain degree, they have delivered on their promises. It is now easier for businesses to communicate both internally and with many trading partners, procuring certain products can be done in a more efficient manner and outsourcing functions logistics can be accomplished more productively than prior to the Internet.

But most analysts agree the business processes that have been transferred to the Internet thus far pale in comparison to what can be made Web-enabled. Making a process visible to the entire trade channel, for instance, from the point of production to the point of consumption via the Internet, is still not possible in most industries, including food and consumer packaged goods (CPG).

In addition, out-of-stocks persist in many product categories, while others seem to be perpetually overstocked.

So where do the food and CPG industries stand in terms of reaching beyond aggregators and buyers and sellers on the Internet and conducting transactions to an environment where trading partners truly collaborate on planning, forecasting and replenishment and synchronize **supply** to the actual marketplace demand? And how is the Internet transforming business processes as they relate to the actual fulfillment of orders and the **management** of product return operations?

E-commerce does not replace the need to improve internal and external **supply chain management (SCM)** practices. Rather, e-commerce is the next step in the evolution of advanced SCM concepts. In fact, to take full advantage of B2B e-commerce's rapid adoption, companies will have to step up the implementation of collaborative planning, forecasting and replenishment (CPFR), demand chain synchronization, customer relationship management (CRM) and other SCM techniques.

"If you can't fulfill the order, then you can't look at any other strategy to be effective in your business," says Herbert Klein, industry specialist at J.D. Edwards and a 10-year veteran of Unilever.

The primary reason for the move to put SCM on the Internet is money—plain and simple. Based on a 29 percent adoption of B2B e-commerce, AMR Research estimates cost reductions of indirect procurement exceeding \$82 billion (based on an 8 percent cost reduction) in 2004.

To accomplish these kinds of cost reductions requires several changes in business processes, some internal and others external. Among these processes are demand management, supply chain collaboration and customer relationship management. In the food and consumer packaged goods arena, efforts are underway in all of these areas, with companies showing mostly positive results.

To start, Jeff Smith, leader of the e-commerce practice for CPG at Andersen Consulting, suggests that in order for e-B2B to work there must be the development of an intent value network that also includes content and community. He also points out that core users go to the Internet to conduct business only about 10 percent of the time they are online.

The intent value network acts to keep business users coming back to an online service or trading exchange by delivering the information and activities that help them do his or her job better.

"The other dimension of the value-added services is solving the rest of the total business processes problem by bringing in the logistics providers that actually enable companies to ship the order," says Smith. "This can be the hardest part of conducting business on the Internet."

Whether a participant on the Internet, that is a buyer or seller, is dealing through a trading exchange or a network of affiliated buyers and sellers, there are different levels of engagement available. At the upper level are companies that have made a significant investment in demand chain management, customer relationship management and other supply chain execution applications and want to integrate their current system with a trading exchange to take advantage of the promise of both technologies.

At a lower level, there is a simple move to the Web-based systems of the exchange networks for both the transaction and the fulfillment. In either case, the procurement fulfillment systems are clearly critical to any food or consumer goods product manufacturer or distributor, Smith suggests.

#### **Start Within The Enterprise**

J.D. Edwards' Klein says that supply chain execution has to start with internal collaboration, and that starts with demand forecasting and the synchronization of supply to actual marketplace demand. This process, termed demand chain management, focuses on the replenishment cycle, plus the cycle from the distribution center to the store.

"Demand chain management is consumer focused and driven by POS data. It bases replenishment on retail volume dynamics, creates store-specific overstock/out-of-stock and requires buyers/category managers held accountable for store inventory effectiveness," explains Don Vehlhaber, president of Strategy Partners Group, Naples, FL, adding that the Internet is the natural conduit for this data.

Web-enabled applications that extend a company's ability to conduct demand chain management activities like store-level forecasting, automated replenishment, merchandise planning and category management solutions is critical to improving chain execution and aligning supply to demand in real time.

The ability to conduct merchandise performance analysis and category management; sales forecasting at UPC/location level and automatic replenishment; price elasticity demand analysis and promotion planning; and forecast-based merchandise planning deliver the benefit of allowing users to quickly share critical information with other supply chain partners.

"By using Web-enabled planning, forecasting and replenishment applications, the wealth of information users have at their disposal to maximize sales, reduce inventory and improve service levels can be shared with stores or suppliers using the Internet. This opens a number of opportunities," says Doug Cook, CEO of SDG Software, Markham, Ontario.

"For example, store managers now have the capability to influence replenishment strategies by reviewing head office forecasts and purchase orders and change them based on local conditions.

"More significantly, by Web-enabling planning systems, companies can create a completely decentralized and dynamic merchandise planning application," says Cook. "This will allow store managers and head office assortment planners to develop merchandise plans faster and with a higher level of accuracy."

In addition to allowing retailers to share critical inventory, forecast and replenishment information throughout their store organization they are also able to share that information with supply chain partners.

"Suppliers can have immediate access to product performance, inventory, and sales forecast information at the store level allowing them to optimize the entire supply chain through the development of joint retailer-supplier inventory management and replenishment strategies," says Mardie Noble, chief technology officer, SDG Software.

"This functionality allows every partner in the supply chain to run their organization in the most efficient manner, which results in increasing customer satisfaction and corporate profitability."

Web-enabled supply chain synchronization applications allow companies to leverage their investment in existing applications to solve specific supply chain problems. Once trading partners are connected externally and are collaborating, the ultimate customers receive the benefits of reduced out-of-stocks and lower prices.

In addition, the trading channel itself benefits from lower costs and improved cash flow cycles.

"The Internet is giving us greater visibility to see what's available in the marketplace it is giving us greater velocity and traceability," says Karin Bursa, vice president of marketing at Logility. "This is speeding up the process and helping managers make decisions."

#### **Move To CPFR**

As business processes gain speed, the need for collaboration increases, and the importance of initiatives like Collaborative Planning, Forecasting and Replenishment (CPFR) increases, according to analysts.

The CPFR initiative underway between trading partners in the food and CPG business is quickly becoming the industry standard for B2B supply chain collaboration, and CPFR via the Internet shows a tremendous opportunity for generating value because it allows real-time communication and knowledge transfer.

Early adopters of CPFR concepts are already reaping benefits like increased revenue, customer service, inventory and forecast error reduction and lower transportation costs. CPFR, which enables trading partners to actively share business intelligence and make exceptions to their plans, results in better forecasts and synchronized supply chain plans.

In addition, retailers and manufacturers can use collaborative best practices to develop synergistic value chain relationships that promote increased sales, optimal inventory and reduced costs.

A recently released comprehensive study of CPFR practices by Industry Directions, Syncra Systems revealed that a majority of companies surveyed are planning to or have begun to deploy CPFR activities, and those activities are enabling them to streamline supply chains, increase sales and improve service levels.

The CPFR study surveyed manufacturers, retailers, distributors and logistics providers across a broad range of industries, including the consumer goods sector. The objective was to qualify how companies are deploying CPFR practices, what results they are achieving and where the need for further CPFR education is greatest.

The survey showed that more than 68 percent of respondents are researching, undergoing pilots, or preparing to roll out CPFR practices, and about 25 percent have a CPFR pilot underway or plan to begin a pilot in the next six months. Also, half of respondents whose forecast accuracy is more than 90 percent predict that CPFR will improve their trading partners' forecasts by at least 20 percent.

"A stockout is an invitation to buy the competition's products. It's a double hit. On the other hand, you don't want too much inventory so you have to deliver a balance. That's what CPFR promised and is now delivering," states Jeff Stamen, CEO, Syncra Software.

Backing the survey's findings with hard facts are the results from the CPFR pilot programs. To date, these trials have yielded an 80 percent increase in business with a CPFR partner in one case, more than \$9 million in increased sales in a second case and simultaneous growth and inventory reductions of at least 10 percent in a third case. Other pilots delivered improved fill rates with less inventory for the trading partners and a 100 percent service level with almost 40 inventory turns a year.

"What's most important is that these results are replicable period after period and not one time boosts," adds Stamen.

#### **CRM Allows Constant Connectivity**

Effective logistics solutions are based on addressing specific customer needs. And customer relationship management (CRM) is a critical success factor, ensuring 100 percent customer satisfaction, loyalty and retention. CRM helps to deliver the flexibility and choice customers and consumers alike demand.

These shoppers and retailers presume that consumer goods companies support all communication channels, including face-to-face interaction directly or through a sales marketing agent, the telephone or the Internet, and they want more personalized service that is immediately available 24 hours per day, seven days per week.

Most importantly, they expect customer-focused organizations to have one comprehensive view of all of their interactions.

To meet these requirements, consumer goods organizations must deploy a Web-based customer-centric e-business strategy across all functions from planning to execution. Armed with technology solutions, organizations will deliver superior service to customers, brokers and consumers.

"CRM is in a position to enable business process improvement for the entire value chain in food and CPG, because we are in the middle transferring information between the manufacturer and the retailer or distributor. There has been a lack of integration in the area of supply chain management on the Internet, and CRM can pull that together."

explains Bill Kester, general manager of the consumer goods practice at Siebel Sys

"CRM gives a central positioning for the company so everyone is working off the same database for plans and programs. As you go out of the company, products like Siebel eChannel allow the exposure of their plans over the Internet to trading partners. This allows for more collaboration."

CRM products like Siebel's eConsumer Goods offer a comprehensive e-business system that empowers consumer goods manufacturers, wholesalers and retailers to successfully manage, coordinate and synchronize all end-consumer and customer interactions across all touchpoints and through the entire relationship life cycle.

#### **They offer customers the most comprehensive**

e-business applications that span the entire demand chain from the end-consumer through the retailer and the wholesaler to the manufacturer.

The most effective CRM systems enable organizations to analyze past activities to identify new marketing and sales opportunities, segment and target potential consumers and customers with personalized campaigns, improve trade fund and trade promotion effectiveness, and reduce the amount and number of outstanding and unresolved deductions.

The systems will also help establish a competitive advantage at the store level through targeted retail execution, enable collaborative planning between and with customers, brokers/distributors and provide Internet-enabled sales and self-service to consumer customers.

More than \$500 million worth of e-commerce transactions are routinely conducted today and all of those goods and services have to be fulfilled somehow. Clearly, no company can afford to miss out on this much potential business.

And, these companies are going to have to implement the proper technology and processes to benefit from B2B e-commerce. Because, as analysts at AMR Research fond of saying, "By 2004, conducting business via the Internet will be as routine as making a telephone call."

#### **Case Study.**

##### **Logistics Exchanges Show Impact**

Nearly all of the 2,000 plus e-commerce exchanges currently up and running or planned ultimately require a physical process to deliver the good or service sold to the buyer excepting being the conveyance of data and software.

Where there is a product or service that is not based on a series of zeros and ones, someone or something is going to have to manage the delivery process. This is the transportation and logistics exchanges are looking to capture.

Transportation and logistics exchanges are trying to address the potential for cost savings promised by e-commerce, which evaporates during the delivery process. The exchanges are helping to transform the logistics process so companies can efficiently and cost-effectively utilize e-commerce solutions.

Collaborative Internet-based solutions like Nistevo.com and nPassage provide the information needed to reduce the cost of sourcing logistics services while enabling the forward transportation management and channel purchases to contracted suppliers.

They allow for the entire procurement, service and delivery cycle to be managed from a single site in which shippers can shop for service, carriers or third-party providers can commit capacity and all participants can track and manage fulfillment.

Nistevo, Eden Prairie, MN, has developed the Nistevo.com network, a Web-hosted application in which supply chain partners create private, semi-private and public exchanges to manage and procure transportation and logistics services.

"Nistevo.com allows shippers to come to the network and configure themselves with contracted carrier base and manage those carrier relationships online," says Kevin Lynch, president and CEO.

Nistevo recently developed an exchange in the network for General Mills, Pillsbury, O'Lakes and Fort James. General Mills uses a dedicated fleet of carriers as well as independent carriers and previously matched its freight to those carriers through a manual process.

Nistevo's software streamlined that process by moving it online, along with contract management, invoicing and other administrative transactions.

"Before we showed up, these companies were already trying to share backhauls with each of the other players in the alliance," says Lynch. "The reason the relationship is important is that these shippers aren't trying to do this with just anybody else. They want to do this with companies that have similar service levels and velocities in their supply chain."

nPassage, an Internet-based transportation execution community for buyers and sellers of freight services allows manufacturers, distributors and retailers to rate, optimize, communicate, book, document and track their shipment's entire journey from dock-to-dock. The company delivers its solution via an Internet application service provider model, so there are no up-front fees to join its community.

"The only initial investment customers have to make is a computer with Internet access. Once they are up and running on the system, they only pay a simple per-transaction fee with no complex licensing or subscription agreements," says Alan Van Boven, president and CEO.

Van Boven says the key advantages of this system are the one-stop, comprehensive online community for managing freight shipments; that nPassage customers can analyze and track the movement of all their freight from anywhere to anywhere in the world; truckload and less-than-truckload (LTL) motor, rail, air and ocean freight and that the system is based on scalable, flexible and secure technology.

Both Nistevo and nPassage show promise because they give shippers a strong reason to do business with them, namely that the services are delivering intelligence, execution and a community that does not currently exist at third-party logistics providers. —R.M.

#### **Case Study.**

##### **Heineken Redefines Collaborative Planning**

Heineken USA is a subsidiary of Heineken NV, the world's second-largest brewer. Heineken USA is the largest beer importer in the United States.

Heineken recognized the need to efficiently process sales forecasts and orders. As a global company, Heineken traditionally had a long lead time in getting forecasts in a product distributed throughout the United States and the world. The objective was to reduce the time between when an order is placed and when it is delivered from 10 to 12 weeks to between four and six weeks.

In late 1995, Heineken decided to implement a supply chain management system to replace the old way of dealing with distributors.

In the past, district managers would sit down with distributors to plan out orders three months in advance. The district manager would then fax the order over to Heineken headquarters, where the order would then be transmitted to the company's brewery world headquarters in Amsterdam, the Netherlands. As a result, it took an average of 10 to 12 weeks for a distributor to receive a shipment—unacceptable for a company looking to become more flexible and adapt more quickly to market demand fluctuations.

The Internet collaboration solution eliminates order taking via telephone, hand calculations or faxing, all of which can lead to human error.

Heineken decided to implement an "extranet," a private network connecting Heineken customers and/or suppliers using Internet technology, based on Logility Voyager Solutions and, in particular, Logility's Voyager XPS. The system can also be used as an intranet, connecting salespeople to the central database.

Calling the system HOPS (Heineken Operational Planning System), Heineken can do real-time forecasting and ordering interaction with its distributors. Through Voyager XPS, Heineken can deliver customized forecasting data to distributors through individual Web pages.

"We're the first company in the beer business to do planning and forecasting on the Internet," says Dan Tearnio, a vice president at White Plains, NY-based Heineken.

Distributors log on to the customized Web pages using a standard browser and Internet connection. Once they enter their ID and password, they can view their sales forecasts, modify their order and submit their order by pressing a button. Order submissions are available in real time at the Heineken brewery in Europe, which can, in turn, adjust its brewing and shipment schedules.

The distributors don't even need copies of the software. They only need Netscape Navigator to access the program. So the company doesn't incur the high costs of a phone line from the distributor to Heineken.

Voyager XPS provides a calendar so Heineken can notify distributors of events. Capitalizing on this "push paradigm," e-mail can also be tapped to send out broadcast problems, new products, or newsletters. Other benefits of online collaborative planning are lower procurement costs, smaller inventories and shorter cycle times.

The HOPS database houses information about a distributor's sales histories, inventory levels and promotional calendars. "HOPS was created in just six months. We contracted with Logility at the end of April 1996 and were live by October," says Heineken's director of operational planning, Andy Thomas.

Using an Oracle database, the Logility Demand Planning module creates a demand forecast for each Heineken distributor. Logility's Voyager XPS solution enables the planning/replenishment system to function on Heineken's website. The distributor needs only a PC, a modem, Internet connectivity and a standard Web browser to participate.

The distributor logs on to the Heineken website, enters a password and views the Heineken forecast for the distributor's territory. For security, the extranet uses both passwords and encryption. The distributor has the option of approving or modifying the forecast online.

This approved or modified forecast is immediately forwarded to Logility's Replenishment Planning module, which calculates the distributor's inventory needs by comparing actual sales to the newly forecast inventory levels.

The replenishment plan is then transmitted to the distributor, who is still logged on to the website. Once the distributor approves the replenishment plan, the system creates an electronic purchase order and the order cycle begins.

Heineken USA's new collaborative planning has reduced order cycle times from three months to four weeks, cut inventory overall by 40 percent and simplified planning for distributor customers.

"Because we have reduced lead time, we can produce the beer closer to the time we will need to deliver it, so the customer will get fresher beer," says Thomas. The result are reduced inventory levels and fresher product to consumers. "We anticipated payback within half a year, and we got it," says Thomas. The system has been rolled out to all Heineken distributors. —R.M.

#### Case Study.



**Data Synchronization Enables SBT For Andronico's, Dreyer's**

Mike Corby, the director of distribution and development for Oakland, CA-based Dreyer's Grand Ice Cream faced two major hurdles when his firm first started experimenting with scan-based trading (SBT) in 1993.

In a scan-based trading system, products delivered directly to retail outlets are not paid by the retailer until they are checked out of the store by the consumer. The scan-based consumer purchase is, therefore, used to record sales simultaneously to both the supplier and retailer.

The first of the hurdles Corby faced was to convince top management at his company that scan-based trading was a winning proposition: "If you can imagine the very first time I came back to our senior management and proposed the idea that we could have as much as \$5,000 worth of inventory at a particular store location and that nobody has signed for the product and that we would not get paid until they actually sold the ice cream. That takes a lot of trust!"

The second hurdle was achieving a critical mass of retailers willing to participate in a scan-based trading environment: "The real benefit of doing scan-based trading for one side is achieving a critical mass of participants. The big benefit that we see for us as an organization is to keep those trucks rolling as much as possible. So, if I only roll out scan-based trading to one or two small customers, there are not enough stores for me to do any significant route re-engineering."

In the years since Dreyer's first experimented with scan-based trading, Corby has been able to soundly overcome the first of the two hurdles. He sees the savings from scan-based trading as falling into three "buckets" of opportunities. "First, is the fact that we have our ice cream trucks operating 24 hours, seven days per week. We obviously have a better utilization of assets, [and] the traditional check-in process at the back door is eliminated. So there are time savings of as much as 30 minutes per delivery.

"Second, is the ability to grow the top line. That is to say, my ability to get the right product at the right place and the right time goes up. So, in terms of knowing exactly what the consumers are taking off the shelf and at what rate, it allows us to see trends that we wouldn't have seen if we were strictly looking at delivery data.

"Third, is the ability to synchronize data. If the data that is sent to you by the retailer is incorrect, it can be responsible for an overwhelming number of errors. We have seen costs from \$20 to \$80 an invoice to fix errors. So if we can achieve data synchronization and get the error rate to near zero, there is a tremendous amount of cost savings that occur as well."

Achieving data synchronization, however, has proved to be a major stumbling block in overcoming Dreyer's second hurdle, recruiting a critical mass of participants to a scan-based trading environment.

"The main issue with scan-based trading is that the partners can't synchronize the information," according to Robert Noe, executive vice president of viaLink, the Dallas-based provider of online catalogs and other services. "Almost everybody has their own item identifier and their own SKU number. So if the companies can't synchronize the data, all they're doing is correcting things, fixing data problems, and not doing really efficient trading. The information has to be extremely precise and accurate in order to have e-settlement at point of sale to the satisfaction of both retailer and supplier, but especially for the supplier because they still own the product."

Synchronizing data doesn't only refer to product information, according to Noe but a price, deals and promotional information. "It's really all three of those things that is required to make an effective transaction between two trading partners," he says.

It is largely due to the Web-based data synchronization capability offered by viaLink that Andronico's, a 10-store chain of upscale food stores in the San Francisco Bay area, was able to establish a scan-based trading system with Dreyer's.

Mike Miller, the director of information systems for Andronico's, explains that the retailer

had to achieve the synchronization of internal data, before considering a scan-based trading environment: "We're a bit unusual in that 50 percent of our sales come from store delivery (DSD) manufacturers. Although we had a dire need to implement an electronic DSD system to control this enormous population of DSD vendors, our paper-based legacy process proved to be a barrier."

Typical of many retailers, Andronico's has traditionally populated multiple databases for various purposes, which oftentimes were out of sync. According to Miller, "We ran databases in our legacy process, our scan host database and our wholesaler's 'book' database. To support the 'book' database, which provided outsource shelf-tag and authorized price book services, our key data elements were entered into a Telxon device and transmitted to our wholesaler. The only elements that we entered into our scan/host database were the product description, the retail price and cash register parameters."

"We saw a clear need to convert to an electronic process," Miller says. "We had insufficient data in our database to support electronic DSD, our wholesaler's 'book' was frequently out of sync with our scan file, our gross margin reports were based on our wholesaler's shipping reports rather than our actual scan movement and our data-entry labor costs were skyrocketing."

"Our mantra in the conversion to the electronic process is to enter data once and use it many times," Miller said. "We had the desire to implement EDI relationships with vendors but didn't have the resources. When our wholesaler mentioned their growing relationship with viaLink, the Internet-based item catalog service that conforms to the EDI standard, we volunteered to be the guinea pig."

Miller has been impressed with the results. "The value of viaLink is the ability to utilize information that the vendor has already entered into its computer. We receive new items and promotional offers from our vendors through viaLink and, upon offer acceptance, download the file into our host system."

Once Andronico's established its relationship with viaLink, Miller was introduced to the concept of scan-based trading.

"I loved the idea and received enthusiastic support from our executive team," says Miller. "Because of the power of the viaLink synchronization, we actually have implemented scan-based trading before DSD. Electronically synchronized SBT has more benefits than DSD with a fraction of the cost. We've achieved the typical DSD benefits such as elimination of unauthorized items and not-on-files, cost and promotion discrepancies, elimination of paper invoices. The additional SBT benefits include reduction of back stock, store receiving labor, invoice reconciliation and inventory carrying costs, as well as increased sales."

Andronico's is so enthused about the benefits of scan-based trading that it is actively campaigning to sign up as many suppliers and retailers as it can: "We are aggressively promoting the concept to our fellow retailers, even competitors. We want to attract a mass of retailers to entice a critical mass of suppliers. We will continue to enhance efficiency and profitability with each new participating vendor. We're somewhat of evangelists in spreading the word and ultimately finding sufficient vendors to enjoy the benefits of a critical mass."

With advocates like Andronico's and Dreyer's signed on to scan-based trading, can the critical mass be far behind?

—Martin Dresner, *University of Maryland*

#### Case Study.

##### Applebee's Looks For Greater Control Of Information

Although Burton M. "Skip" Sack no longer owns and operates a string of Applebee's restaurants, as an Applebee's board member he still takes a keen interest in the restaurant chain. Much has changed over the years in the way Applebee's and other restaurant operators run their businesses, according to Sack.

"You know, I go back to the days when you received a call on a certain day, like 10

"You know, I go back to the days when you received a call on a certain day, like 10 every Monday, Wednesday and Friday, and you would go down the items on the distributor's list and he would check off what you ordered. And I remember the times you got more progressive and you would fax in the order. Now, we're in the process ordering products over the Internet."

Sack is a strong advocate of Internet-based technologies designed to help restaurant operators manage their businesses. Applebee's is a user of Tibersoft, a software developer and applications service provider that facilitates order entry by providing real time pricing, inventory availability and fulfillment visibility through an Internet interface.

With the Tibersoft applications, Applebee's believes it can flag prices that seem out of line, Sack says.

"One of the problems that operators have is making sure that manufacturers and distributors give them their negotiated price. For example, if the operator gets potatoes at 32 cents per pound, F.O.B. Idaho, it's hard for them to make sure that every distributor is honoring that price.

"What further complicates matters is that shipping costs have to be added to the price. Now we have a base price plus a mark-up for shipping, plus a mark-up on that mark-up because a distributor is paid 8 or 9 percent above cost and also adds the mark-up to the freight cost. When an operator gets his bill along with his shipment, on the invoice are 200 to 300 different items from the distributor."

Sack says it's almost impossible to go through all the items to make sure the operator is getting the negotiated price. Right now, an Applebee's associate in its accounting department spot checks the bills from various franchisees and company operations. But it would be a full-time job for tens of people to check every item, Sack says.

"The idea is to have the program flag prices that vary more than 2 or 3 percent from the agreed price."

Sack believes the technology also has the ability to allow restaurant chains to keep track of rebates. "Suppose the company has 280 restaurants. If those restaurants are in 15 different markets, we might be dealing with eight or 10 different distribution centers, maybe three or four different distributors. If we can get a rebate of 50 cents a case of ketchup, we have to start pulling together all the information on the purchases from the distribution centers and basically from all of our restaurants to find out how many cases of ketchup we ordered last quarter."

Perhaps, most importantly, Internet programs, can help chain operations, such as Applebee's, do a better job at tracking inventory. Sack cites an example of the restaurant chain introducing a promotional item: "Let's say Applebee's comes up with a Tequila Marinated Chicken as a promotional item. We estimate that we are going to go through 30,000 units during a four-week promotion. But 10 days before the promotion is going to end, we have a hard time trying to get a handle on how much product is in the pipeline."

"People in our purchasing department have to start calling our franchisees to see how much inventory they have in their stores. Then we have to call all of our distributors to see how much inventory they have in their distribution centers. We need to make a determination as to whether or not we want the manufacturer to ramp up and make more product because we might have underestimated demand. Or we might find that the product didn't sell as well as we thought it was going to sell and we have too much product on hand," Sack adds.

One potential glitch along the information highway is who will control the information systems. Another potential problem is how will multiple information systems tie together?

Tibersoft is currently focusing on selling its product to foodservice distributors. (Sysco is its largest customer.) What happens if Sysco ties all of its distribution centers together with one system while a large restaurant chain, such as Applebee's or Chili's buys a competitive product?

As Sack puts it: "To me, it's the marketing analogy of something being pushed through distribution channels or pulled through the distribution channels. With selling the distributors, you are pushing it through to the retailers, whereas selling the retailer is pulling it through the distributors. If Friday's decides to go with Program X, they'll want their distributors to go with Program X. But if Sysco goes with Program Y, they're going to want their retailers to go with Program Y. So it all comes down to who has the best program for the least amount of money."

—Martin Dresner

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